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## ***West Bank/Gaza Accounting and Auditing Sector Program***

***Assessment Report***

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**West Bank And Gaza  
Accounting And Auditing Sector Program**

**ASSESSMENT REPORT**

**TABLE OF CONTENTS**

<b>1 0</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2 0</b>	<b>ASSESSMENT DETAILS</b>	<b>2</b>
2 1	THE ACCOUNTING FACULTY AT THE FIVE PRE-SELECTED UNIVERSITIES AND THE CURRICULUM CURRENTLY IN USE	2
2 1 1	<i>Al-Azhar University Gaza City Gaza Strip</i>	2
2 1 2	<i>The Islamic University Gaza City Gaza Strip</i>	2
2 1 3	<i>An-Najah National University Nablus the West Bank</i>	3
2 1 4	<i>Bethlehem University Bethlehem the West Bank</i>	3
2 1 5	<i>Birzeit University Birzeit the West Bank</i>	4
2 2	CPA PREPARATORY COURSES AVAILABLE IN THE REGION	5
2 3	THE MARKET'S SATISFACTION RATE WITH GRADUATES FROM THE UNIVERSITY ACCOUNTING PROGRAMS	5
2 4	THE PALESTINIAN ACCOUNTANT'S ASSOCIATION CURRENT WORK AND STAFFING	6
2 5	THE PALESTINIAN AUDITORS SOCIETY S CURRENT WORK AND STAFFING	6

## 1 0 INTRODUCTION

Deloitte Touche Tohmatsu has been contracted by the USAID under the umbrella of SEGIR Financial Services IQC to conduct services on the West Bank/Gaza accounting and auditing reform. As part of the overall effort to enhance the policy environment for the mobilization of equity capital in the Palestinian Territories, this project focuses on efforts in the West Bank and Gaza territories to support the development of the area's accounting and audit related organizations, support the adoption and development of international standards, and develop the accounting and auditing education, system of certification and code of professional ethics.

The project consists of Phases 1 and 2, with Phase 1 commencing at the beginning of the project and Phase 2 undertaken after the passage of the accounting and auditing law. As contractor, we were required to commence the project with a specified assessment as part of the Phase 1 tasks, covering the following areas:

- The accounting faculty at the five pre-selected universities
- Curriculum currently in use at those universities
- CPA preparatory courses available in the region
- The market's satisfaction rate with graduates from the university accounting programs
- The Palestinian Accountants' Association current work and staffing
- The Palestinian Auditors' Society current work and staffing

The overall objective of this assessment is to update and expand upon earlier reports prepared by USAID as part of the design of the Accounting and Auditing Sector Program. These reports are as follows:

- (Excerpts from the) Final Report – **Mobilizing Equity Capital in the Palestinian Territories**, dated 25 July 1997
- Final Report – **Accounting and Auditing Standards Activity Design Team**, dated 15 July 1998
- **Accounting and Auditing Standards, Professional Ethics, and Accounting Education Workshop**, undated

The resulting assessment report summarizes our key observations and findings from the assessment task and highlights our recommendations and intended follow-up.

## **2 0 ASSESSMENT DETAILS**

### **2 1 The Accounting Faculty at the Five Pre-Selected Universities and the Curriculum Currently in Use**

To gain in-depth understanding on the subject, we have visited each of the universities in order to meet with the Director of the Accounting Department, while in some cases, we also met with the Dean and other members of the Faculty

#### **2 1 1 *Al-Azhar University, Gaza City, Gaza Strip***

##### **Observations**

The Faculty of Economics and Administrative Sciences offers an Accounting Major Program staffed by five full-time faculty members, one possessing a PhD and the remainder Masters degrees. There are approximately three hundred students in the major program and about one hundred graduate each year. The majority of the graduates enter government service. The teachers appear to be qualified for the program that is given but it is apparent that understaffing is a problem. In an advanced financial accounting course there is an introduction to International Accounting Standards but when GAAP and GAAS are referred to it is generally that of USA. There is some instruction in English but the faculty members acknowledge that, because it is the language of business, this should be increased considerably.

##### **Recommendations and Intended Follow-up**

A thorough evaluation of the curriculum will be required at an early stage of the project. From the review that we have done in the course of this assessment, it is apparent that additional instruction in English is required and that, because they are to be the adopted standards, International Accounting Standards and International Standards on Auditing should be taught.

#### **2 1 2 *The Islamic University, Gaza City, Gaza Strip***

##### **Observations**

The Faculty of Commerce offers an Accounting Major Program through its Department of Accounting staffed by twelve full-time faculty members. One of the faculty members possesses a PhD, five possess Masters degrees and six possess Bachelors degrees. The Department produces approximately one hundred and fifty graduates per year with a Bachelor degree in accounting. Most of the graduates enter government service but a few go with local public accounting firms. Classes are taught in Arabic. The teachers appear to be qualified for the program that is presently given, however, they believe that the Department is short-handed. They are working on a new curriculum to be introduced in the year 2000 and they have asked for our assistance with it in order that it will meet international standards. We were informed that references to GAAP and GAAS in the program are to International Accounting Standards and International Standards on Auditing because those standards are required by the Palestinian Monetary Authority.

##### **Recommendations and Intended Follow-up**

At an early stage of the project we will provide an evaluation of the existing curriculum and our recommendations regarding their new curriculum. From the review of the existing curriculum

that we have done it is apparent that instruction in English should be added and that additional coverage of International Accounting Standards and International Standards on Auditing is required

### *2 1 3 An-Najah National University, Nablus, the West Bank*

#### **Observations**

The Faculty of Economics and Administrative Sciences offers an accounting Major Program through its Business Administration and Accounting Department. The Department has a faculty of ten full-time members and one part-time member. Three of the full-time members possess PhDs and seven possess Masters degrees together with CPA designations. There are approximately six hundred accounting students of which about one hundred graduate each year. Many of the graduates enter government service but a fair proportion go into the private sector with a few going to local public accounting firms. The teachers seem qualified to teach the program that is given but the Director believes that the Department is short-handed.

It is acknowledged that International Accounting Standards and International Standards on Auditing should be adopted in West Bank and Gaza and that the curriculum should include those standards. Most courses are taught in Arabic but Introduction to Accounting, Intermediate Accounting, Advanced Accounting, Accounting Theory and Accounting Information Systems are taught in English. We were advised that curriculum reform is underway.

#### **Recommendations and Intended Follow-up**

It will be necessary to translate the present curriculum into English, in order that we may do the necessary thorough evaluation in the early stages of the project. From the information that we have obtained orally, it is apparent that International Accounting Standards and International Standards on Auditing should be added.

### *2 1 4 Bethlehem University, Bethlehem, the West Bank*

#### **Observations**

The Faculty of Business Administration offers an Accounting Major Program through its Department of Accounting. The accounting faculty, which the Director considers to be understaffed, consists of two full-time and six part-time professors, none of whom possess a PhD. The program graduates thirty-five to forty persons per year and, during the past year accepted one hundred and ninety new students. About thirty percent of the graduates gain employment with banks, thirty percent with public accounting firms and the remainder with industry. The program is essentially the same as the ones conducted in USA. Instruction is in English and the textbooks are those commonly used in USA. The taxation course is taught in Arabic because it covers Jordanian tax law. We were advised that, although there has not been a formal accreditation of the program, US universities give full credit for courses taken in it, which would tend to indicate that the quality of the teaching is good. USA GAAP and GAAS are taught. Although the curriculum has not been given the necessary in-depth review that will be required early in the project, in view of the recognition of the credits by US universities, it is probable that it will require little change.

### **Recommendations and Intended Follow-up**

Because of the recognition of the program courses by US universities it is probable that little change will be required other than to add coverage of International Accounting Standards and International Standards on Auditing. This will be implemented in the first year work plan.

#### **2.1.5 Birzeit University, Birzeit, the West Bank**

### **Observations**

The Faculty of Commerce and Economics, through its Accounting Department, offers a Bachelor of Arts in Accounting degree. The Department, which the Director believes is under-staffed, consists of three full-time and six part-time professors. Only one of the full-time professors has a PhD. There are about one hundred and sixty-five students in the Accounting Major Program of which sixty to seventy graduate each year. The graduates gain employment in large commercial organizations, government and public accounting firms. As is the case with Bethlehem University, US GAAP and GAAS are taught, English texts from USA are used, instruction is in English and US universities give full credit for the courses taken in the program, tending to indicate that the quality of the teaching is good. No instruction has been given on International Accounting Standards nor International Standards on Auditing but once every two or three years an elective course has been given on International Accounting using a text that does not specifically deal with those standards. A new curriculum was implemented this year but its translation into English is still in progress.

### **Recommendations and Intended Follow-up**

Because of the recognition of the program courses by US universities it is probable that little change will be required other than to add coverage of International Accounting Standards and International Standards on Auditing. This will be implemented in the first year work plan.

In general, it is apparent that the professors require training to teach new courses in International Accounting Standards and International Standards on Auditing. This training should be developed as part of the activities of this project and, because of the logistical problems, should be given in each of Gaza Strip and the West Bank. If appropriate texts on these standards can be located, they would be of great assistance in this regard. Such texts will, no doubt, be in English but for purposes of their use in universities it is our view that they need not be translated into Arabic because of the necessity for qualified accountants to communicate in English. The first year work plan will include specific training for accounting faculty.

At each university, the shortage of teachers was raised as a major concern, particularly when it was noted that the teaching and training needs will become much greater as a result of the adoption of the International Standards of the profession. We were told that the major factor behind this is the inadequate level of compensation compared to other positions that compete for the professors' services. It is feared that this problem will become even worse in Gaza next year when the EU funding to its universities is discontinued and there is a resulting greater pressure for cost reduction. In our opinion, the existence of adequate teaching resources is essential for the success of the project and, therefore this problem must be addressed. During the first year the project will develop approaches with the universities to tap additional resources, both human and financial.

## 2 2 CPA Preparatory Courses Available in the Region

We discussed the availability of CPA preparatory courses in the region at meetings that we had with partners and managers of each of the five major international firms practicing public accounting in West Bank and Gaza and with the university faculty members

We found that several CPA review programs have been held in the region

- 1) *Becker CPA Review Program*, presented annually by Bethlehem University. There are two major problems that diminish the effectiveness of this program. First, after completion of the program, there is no assurance that the candidate will be able to obtain a visa to travel to USA to take the CPA examination (last year, seventeen candidates took the program and only four were granted visas). Second, for candidates in Gaza Strip it is difficult, if not impossible, to attend the program. In addition, for those in West Bank outside Bethlehem it is also very difficult to attend because of border travel restrictions. In 1999, Bethlehem University is making a special presentation of the program in Nablus for seventeen employees of Palestine Telecommunications Co.
- 2) *Review Program of the Arabian Society of CPAs*, presented at Bethlehem University and An-Najah University. This program extends over a period of eight months each year and, upon its completion, the candidate may take the Arabian CPA exam and, if successful, will qualify as an auditor in West Bank and Gaza. There are thirty-seven candidates presently in the program at Bethlehem University.
- 3) *CPA review program conducted by Ernst & Young*. This program was presented only once, but it is said that it was not a success due to the diversity of the level of accounting understanding of the participants.

In our opinion, until the profession establishes the entrance standards and examination program for the West Bank and Gaza, it would be of great value for USAID to support a program such as the Becker CPA Review Program. We recommend that, because of the logistical problems, it be presented at least at one more university in West Bank and at one in Gaza Strip. The Becker program is recommended because of the universal recognition of the US CPA designation. If, however, the visa problem cannot be overcome, we recommend that the Arabian CPA Review Program be supported in the interim period.

## 2 3 The Market's Satisfaction Rate with Graduates from the University Accounting Programs

During the course of interviews of partners and managers in major accounting firms we obtained the following information:

- Graduates from Birzeit and Bethlehem universities are the only ones who they will employ for two main reasons – first, the graduates from the others do not have an adequate command of English, and second, it is believed that those universities do not have sufficient strength in their programs at the Intermediate Accounting course level. For these reasons those graduates do not possess two essential ingredients for public accounting practice, i.e. the fundamental

accounting knowledge that is gained from the intermediate courses and a good knowledge of the English accounting terms

- Present graduates from Birzeit and Bethlehem universities should have had a course or courses to bridge from the US GAAP and GAAS, given in their courses, to the International Accounting Standards and International Standards on Auditing that are used in practice
- More should be done at Birzeit and Bethlehem universities to teach the students how to think and to deal with practical situations. In this connection, it was noted that graduates from US and Israeli universities who are employed in West Bank and Gaza are widely better in this connection

An in-depth review of the curriculum of the accounting program of each of the universities will be done and assistance to make the appropriate modifications will be provided as part of this project. Recommendations will be made to address specific weaknesses through curriculum changes.

## **2.4 The Palestinian Accountant's Association Current Work and Staffing**

We visited the Association's main office in Gaza City, which contains some facilities for training and is staffed by a director, a secretary and a caretaker/coffee/tea person. We were told that there are four branches of the Association located around Gaza that provide additional training facilities. Each of these is staffed by a secretary. We were also told that the Association has leased a small office in Ramallah but has not yet done anything with the facility.

In addition to providing some training programs, the Association assists members to find jobs.

It is apparent that there is insufficient staff to direct the amount of training that will be required in order to raise the level of competence of the non-auditor accountants to that which will be required as a result of the introduction of the new accounting standards. Therefore, we recommend that a technically oriented additional staff member be engaged in the project for this purpose. At the end of the project this person could become a full-time employee of the Association.

## **2.5 The Palestinian Auditors Society's Current Work and Staffing**

We visited the Society's office in Gaza City, which contains a lounge and small meeting facilities and has adjacent larger meeting facilities that can be made available to it. There is no full-time staff on the premises.

The Society has its main office in Ramallah, which is staffed by a secretary who has no knowledge of accounting and cannot communicate in English. It contains meeting facilities that the members in West Bank use for meetings dealing with the Society's business.

The work of the Audit Practice Committee on the project will require a full-time qualified technical assistant who, at the end of the project, could become the full-time Director of the Society.